

Message Text

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ACTION AGR-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CEA-01 CIAE-00

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INFO AMEMBASSY BONN

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USMISSION OECD PARIS

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USDEL MTN GENEVA

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EO 11652: NA

TAGS: EAGR, EEC, DA

SUBJECT: EUROPEAN DROUGHT

PASS AGRICULTURE

REF: STATE 194278

1. SUMMARY. DETERIORATED CROP PROSPECTS INDICATED BY HARVEST
NOW WELL UNDERWAY IS OVERSHADOWED BY GOVERNMENT'S NEW STRINGENT
MEASURES TO HELP AILING ECONOMY. APART FROM AID TO FARMERS
AFFECTED BY DROUGHT AND POSSIBLY STEPPED UP ASSISTANCE FOR FARMER
INVESTMENT IN IRRIGATION EQUIPMENT IN CERTAIN AREAS, NO OTHER
NATIONAL MEASURES ARE ANTICIPATED AS A DIRECT CONSEQUENCE OF THE
DROUGHT. THE DANES ARE, HOWEVER, CONCERNED THAT OTHER EC
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COUNTRIES MAY USE THE DROUGHT AS AN EXCUSE FOR INCREASING

NATIONAL SUBSIDIES TO AGRICULTURE, AND THEY WILL PUSH FOR DROUGHT AID TO BE FINANCED FROM BRUSSELS. WE DO NOT BELIEVE THERE WILL BE SIGNIFICANT CHANGE IN THE DANISH ATTITUDE TOWARD THE CAP, MTN OR EC SELF-SUFFICIENCY. THE DANES HAVE MIXED FEELINGS ON EASING OF PRESSURE FOR DAIRY REFORM. THEY SEEM SURE THAT MILK AND VEGETABLE OIL TAXES WILL NOT BE ADOPTED THIS YEAR BUT WOULD STILL LIKE TO SEE OTHER BASIC STRUCTURAL MEASURES STARTED TO REDUCE NUMBER OF SMALL INEFFICIENT DAIRY FARMERS. END SUMMARY.

2. GRAIN HARVEST NOW IN FULL SWING IS PROVING DISAPPOINTING, EVEN ON GOOD SOILS, AFTER FURTHER DETERIORATION DURING JULY, AND YIELD INDICATIONS ARE DOWN 7 TO 10 PERCENT FROM TWO WEEKS AGO. WE PRESENTLY ESTIMATE A 6.3 MILLION TON GRAIN CROP, SAME AS LAST YEAR'S POOR LEVEL, IN SPITE OF 3 PERCENT LARGER AREA. MAJOR REDUCTION IS IN IMPORTANT BARLEY CROP, DOWN FROM EXPECTED 5.5 MILLION TO 5.05 MILLION TONS (5.2 LAST YEAR). WINTER WHEAT HAS FARED BEST AND TOTAL WHEAT CROP IS ESTIMATED TO BE UP 25 PERCENT TO 670,000 TONS, DUE TO 27 PERCENT LARGER AREA. PASTURES AND BEET CROPS LIKEWISE HAVE SHOWN FURTHER DETERIORATION AND BADLY NEED RAIN SOON. EXPECTED RESPECTIVE YIELDS ARE NOW 62 AND 83 PERCENT OF NORMAL. POTATO SITUATION IS DESCRIBED AS SERIOUS, AND PRODUCTION MAY NOT MUCH EXCEED LAST YEAR'S POOR CROP EVEN WITH 16 PERCENT LARGER AREA. RAIN DURING REMAINDER OF GROWING SEASON WOULD PROBABLY IMPROVE SITUATION FOR PASTURES, SUGAR BEETS AND FODDER BEETS.

3. MILK PRODUCTION DURING RECENT WEEKS HAS BEEN 2 PERCENT BELOW SAME WEEKS LAST YEAR AS FARMERS ARE CUTTING BACK ON COSTLY CONCENTRATE FEEDING. LOWER MILK PRODUCTION APPEARS TO BE SOLELY AFFECTING NONFAT DRY MILK OUTPUT. MILK OUTPUT FOR YEAR TO DATE IS STILL 6 PERCENT ABOVE 1975 AND LEVEL FOR WHOLE YEAR WILL STILL PROBABLY BE UP 1-2 PERCENT ABOVE LAST YEAR. THERE HAS BEEN NO EXCESSIVE SLAUGHTER OF CATTLE. FARM ORGANIZATIONS ARE ENCOURAGING FARMERS TO HARVEST AND FEED AS MUCH STRAW AS POSSIBLE AND HAVE ORGANIZED STRAW TRANSPORTATION FROM SURPLUS TO DEFICIT AREAS BUT IMPACT OF STRAW FEEDING IN TOTAL WILL PROBABLY BE SMALL.

4. DUE REDUCED GRAIN CROP, DETERIORATED PASTURES AND POOR LIMITED OFFICIAL USE

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FODDER BEET PROSPECTS GRIN IMPORT REQUIREMENTS ARE EXPECTED TO INCREASE TO ABOUT 850,000 TONS, MAKING DENMARK A NET IMPORTER BY NEARLY 200,000 TONS. FAVORABLE MILK PRICES AND POSSIBLE INCREASED PIG NUMBERS ARE EXPECTED MAINTAIN FEED DEMANDS. IT IS EXPECTED THERE WILL ALSO BE AN INCREASE IN IMPORTS OF NON-GRAIN FEEDS.

5. FARMERS HAVE APPEALED TO GOVERNMENT FOR DROUGHT AID

AND WHEN FINAL CROP RESULT IS IN GOVERNMENT INTENTS TO RE-ESTABLISH SAME TYPE OF AID AS LAST YEAR, THAT IS GOVERNMENT-GUARANTEED LOANS WITH FAVORABLE TERMS TO FARMERS HURT BY THE DROUGHT. PROVISIONS WILL BE EXPANDED TO INCLUDE RAPESEED AS WELL AS GRAINS. IN ADDITION, FARMERS SUFFERING DROUGHT FOR SUCCESSIVE YEARS WILL BE ALLOWED TO DEFER PAYMENTS ON EARLIER LOANS. OTHER MEASURES FOR PARTICULARLY BADLY-HIT FARMERS ARE BEING CONSIDERED. MAIN PURPOSE OF AID IS TO AVOID FORCED REDUCTION OF CATTLE HERDS. FARM ORGANIZATIONS ARE ALSO REQUESTING ADDITIONAL GOVERNMENT AID TO ASSIST INVESTMENT IN IRRIGATION EQUIPMENT AND FOR RELAXATION OF REGULATIONS GOVERNING GROUND WATER IRRIGATION. OTHER GOVERNMENT MEASURES ARE NOT ANTICIPATED. DANES ARE VERY CONCERNED THAT OTHER EC COUNTRIES WILL INCREASE NATIONAL SUBSIDIES TO FARMERS UNDER GUISE OF DROUGHT AID AND ARE THEREFOREIN FAVOR OF AID BEING GRANTED FROM AND DIRECTED BY BRUSSELS.

6. AS A MAJOR BENEFICIARY UNDER THE PRESENT CAP, DENMARK IS NOT EXPECTED TO AMEND ITS STRONG SUPPORT OF CAP MECHANISMS, NOR DO WE BELIEVE THE DROUGHT WILL AFFECT THE DANISH POSITION ON MTN IN AGRICULTURE.

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